


# ALMINEX LIMITED





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# ALMINEX LIMITED

## *Head Office*

SUITE 1506, 44 KING STREET WEST, TORONTO

## *Calgary Office*

SUITE 300, 407 EIGHTH AVENUE, S.W.

## *Twelfth Annual Report December 31 1970*

### **DIRECTORS**

F. R. BURTON .....	TORONTO
D. R. DELAPORTE .....	TORONTO
W. F. JAMES .....	TORONTO
D. R. LOCHHEAD .....	TORONTO
J. N. STEPHEN .....	CALGARY
J. B. WEBB .....	CALGARY

### **OFFICERS**

F. R. BURTON .....	PRESIDENT
W. F. JAMES .....	VICE-PRESIDENT
J. N. STEPHEN .....	VICE-PRESIDENT AND GENERAL MANAGER
A. E. SIVERTSON .....	TREASURER
D. G. C. MENZEL .....	SECRETARY

TRANSFER AGENT AND REGISTRAR  
CROWN TRUST COMPANY  
MONTREAL, TORONTO AND CALGARY

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### **AUDITORS**

THORNE, GUNN, HELLIWELL & CHRISTENSON



# ALMINEX LIMITED

## Five Year Summary

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
<b>FINANCIAL</b>					
Gross Production (after royalty)	\$ 5,366,105	\$ 4,775,003	\$ 4,713,879	\$ 4,397,132	\$ 3,802,247
Net Production Income (after operating costs)	4,680,232	4,251,959	4,176,554	3,877,246	3,332,191
Administrative and General Expense	170,121	154,097	150,360	152,851	145,863
Interest Expense	30,128	52,150	96,075	129,399	142,114
*Exploration Expense	688,664	1,022,724	1,217,884	1,074,540	749,111
Depletion, Depreciation and Write-offs	1,731,616	1,400,604	1,242,889	1,280,081	1,072,420
Cash Earnings after all cash expenses	3,861,518	3,038,017	2,735,134	2,530,494	2,295,103
Net Income	976,902	943,413	747,245	917,118	1,222,683
Bank Loans Outstanding	—	872,000	734,000	1,812,000	2,426,000
<b>OPERATING</b>					
Net Daily Production:					
Oil and Condensate (barrels)	4,406	4,003	3,762	3,446	3,199
Natural Gas (thousands of cubic feet)	20,696	15,848	13,900	13,400	14,047
Reserves — Net Proven:					
Crude Oil (barrels)	37,176,000	38,430,000	39,280,000	40,440,000	41,140,000
Natural Gas Liquids (barrels)	3,982,000	4,040,000	4,280,000	4,500,000	4,560,000
Natural Gas (billions of cubic feet)	167.60	166.54	160.39	145.96	149.25
Sulphur (long tons)	217,000	228,000	237,000	244,000	290,000
Net Acreage	6,941,139	7,183,206	6,947,635	2,707,183	2,691,002

\*Includes exploration drilling, dry hole costs, geological, geophysical and unproven property expense.

# ALMINEX LIMITED

## Report of the Directors

### TO THE SHAREHOLDERS:

Your Directors are pleased to present their report for the year ended December 31, 1970.

### THE COMPANY

#### FINANCIAL

Due to expanding markets and resulting increased production, Alminex's gross revenue after royalties was \$5,436,304, 13.5% higher than in 1969. Net production income after operating expenses was \$4,750,431, an 11.3% increase over last year. After deducting administrative and general expense of \$170,121, interest charges of \$30,128 and exploration and unproven property expenses of \$688,664, net cash income totalled \$3,861,518, up 27.1%. The provision for depletion was higher than in 1969 and income tax payments increased substantially. Net exploration expenditures were substantially reduced by recovery of our prior expenses on the Arctic Islands acreage farmed out to Murphy Oil Company Ltd. Net income increased only 3.6% to \$976,902 after writing off advances to Alminex (U.K.) Ltd. of \$212,504, following the surrender of our North Sea licenses. Dividends of \$1,146,849 or 15¢ per share were paid to the shareholders.

Capital costs were lower than in 1969 and totalled \$568,496, despite increased expenditures on equipment to increase production and take advantage of higher market demand. A prepayment of \$562,500, received from Trans-Canada Pipe Lines Limited for our future production from the Harmattan Elkton and Harmattan East gas fields, was used to reduce bank loans. As of year end Alminex had no bank indebtedness.

### PRODUCTION

Continuing its growth trend, Alminex's production of crude oil and natural gas liquids (NGL), net after royalty, averaged 4,406 barrels per day, an increase of 10.1% over 1969. Record production averaging 5,058 bbls./day was achieved in February, 1970. Net crude oil production totalled 1,345,847 barrels, up 11.0%. Production of NGL was higher by 5.4% to a total of 262,370 barrels. Your Company is experiencing an accelerating rate of production of its existing reserves which has obvious economic benefits, but at the same time increases the urgency for finding new production.

Gas production showed the largest increase over last year with the net total up 30.6% to 7,554 MMcf (million cubic feet), a net average daily production of 20.7 MMcf. This was due to a full year's production at Marten Hills, which went on stream late in 1969, and higher production at other fields.

Net production of sulphur averaged 26 long tons per day or 9,635 long tons during the year, practically the same production as in 1969. Sulphur sales and prices, however, continued to decline and only 56% of production was sold.

Tables, at the end of the report, show comparative production figures for oil, NGL, natural gas and sulphur, by fields, for 1970 and 1969.

### RESERVES

Net proven reserves of crude oil as of December 31, 1970, were 37,176,000 barrels, down 1,254,000 barrels or 3.3% from last year. Most of this decline was due to the year's production which totalled 1,345,847 barrels, but additional small reductions were due to the elimination of reserves at



Kyle, Saskatchewan, where follow-up drilling failed to prove out a Viking oil discovery, and a recent engineering study which lowered estimates at Harmattan Elkton. This same study increased the reserves of NGL so that after providing for production in 1970 of 262,370 barrels, net proven reserves were down only 58,000 barrels to 3,982,000 barrels.

Net proven reserves of natural gas were up 1.1 billion cubic feet (Bcf.) or 1.0%, notwithstanding production of 7.6 Bcf., the abandonment of the Braeburn field where operations were uneconomic, and a lower estimate of reserves at Atlee-Buffalo. However, the previously mentioned study of Harmattan Elkton and Harmattan East increased estimated reserves in these fields more than enough to compensate for the reductions.

Net reserves of sulphur decreased by 4.8% or 11,000 long tons, slightly more than the year's production.

A comparison of Alminex's proven and probable reserves at December 31, 1970, with the year previous is made on a table at the end of this report.

## EXPLORATION

During 1970, 21 exploratory wells were drilled on acreage in which your Company has an interest. Alminex participated in nine and the remainder were drilled by farmees. This drilling resulted in two oil discoveries in the Manyberries area and a gas discovery in the Craigower area, all located in southern Alberta, but in each case the interest of your Company is small. The remaining 18 holes were dry and abandoned. Follow-up drilling at Kyle, Saskatchewan proved the presence of so much water in the reservoir that the economics were unattractive. In the Yukon Territory, a well drilled by the farmee was abandoned without reaching its required depth, with the result that Alminex's interest in the acreage involved remains unchanged at 50%.

Seismic programs were carried out at Alham-

bra, Cremona, Golden Lake, Marten Hills, Nose Creek and other areas in Alberta, at Coronach, Saskatchewan, and at Little Growl, N.W.T. Efforts to shoot a marine seismic survey on joint lands in Great Bear Lake failed for mechanical reasons, but, hopefully, will be completed in the summer of 1971.

All of Alminex's 7,342,362 permit acres in the Arctic Islands are now being maintained by others at no financial cost to your Company. In 1966 Alminex farmed out 1,986,821 acres to Panarctic Oils Ltd., and in 1970 farmed out 5,355,541 acres to Murphy Oil. Murphy Oil returned all of the monies spent on your Company's lands to date and will undertake an exploration program and drill a test well in order to earn a 50% working interest.

## DEVELOPMENT

Alminex participated in six development wells and a seventh was drilled by a farmee on your Company's land. Three were oil completions in the Manyberries, Medicine River and House Mountain fields and four were gas wells in the Calgary Crossfield, Marten Hills and West Provost fields, all in Alberta.

During 1970, efforts to unitize the Whitecourt gas field were largely completed and Alminex expects to have a 5.58% interest when the unit is formed early in 1971. Engineering studies and negotiations also proceeded towards the unitization and waterflooding of the Willey oil field, Dunwich Township, Ontario.

## OUTLOOK

The growing markets for crude oil and natural gas plus the higher prices which these commodities command, more than ever justify Alminex's aggressive exploration program. The east coast and Arctic regions, which comprise the frontier areas of Canada, are undergoing more intensive exploration and hold the promise of large discoveries. Alminex will make every effort to participate in the exploration of these areas as justified by geology and economics. In addition to our strong representation in



the Arctic Islands, Alminex is participating in a farm-in of 710,000 permit acres in the Camsell Bend area of the Northwest Territories which will involve the drilling of two wells in 1971. Alminex will contribute 25% of the wells' cost as well as other exploration expenses to earn a 12.5% interest. It is hoped to complete this coming summer a marine seismic program to explore 861,687 acres on and near Great Bear Lake, N.W.T., in which Alminex has a 33.3% interest. A reconnaissance seismic program over your Company's 193,496 wholly-owned permit acres in the Niwelin area of the Northwest Territories will be undertaken shortly. Efforts are being made to participate in other interesting exploration programs in the mainland portion of the Northwest Territories.

Murphy Oil completed part of a geophysical survey on our Arctic Islands acreage in 1970 and will continue the program, including seismic, in 1971.

Substantial capital expenditures were undertaken to increase crude oil production from your Company's high reserve fields, and, with the prospect of increased markets, further expenditures during 1971 will be necessary. Other expenditures are being made to reduce sulphur emission at certain plants to meet government regulations.

A number of wildcat wells will be drilled in Alberta and British Columbia during 1971. Intensive efforts are being made to purchase Crown lands and to farm-in acreage offering interesting potential. More seismic programs are planned including further shooting on the 140,000 acres at Nose Creek, in which Alminex will earn a 12.5% interest. Your Company is in an excellent financial position to exploit any discovery which is made.

Your Directors again wish to record their appreciation to all members of the staff for their dedicated service through the year.

## THE INDUSTRY

There was a continuation of the growth trend

which characterized the Canadian oil industry during 1969. Average daily production of crude oil and NGL reached 1,473,587 barrels, up 12.8% over 1969. Almost all of the increased production came from Alberta and, following the pattern of recent years, much of it was exported to the United States. Markets in District V, and the U.S. west coast, purchased a total of 233,353 bbls./day, up 5.5% over 1969. Those in Districts I, II and IV purchased an average of 491,744 bbls./day, up a substantial 28.9%. The demand of Canadian refiners west of the Ottawa Valley increased 6.4% to an average of 739,390 bbls./day.

By presidential decree, exports to Districts I, II and IV were restricted to 395,000 bbls./day, effective March 1, 1970. In November it was announced by the Canadian and U.S. governments that exports would be restricted only by the capacity of the pipeline system, but up to the present time this has not been achieved. The courts upheld the National Energy Board's decision to prevent the importation of off-shore gasoline west of the Ottawa Valley, but products refined from imported crude are not so obstructed.

The retail prices of products increased during the year and in December the selling price of oil was also increased 25¢ per barrel. The pressure from foreign governments for increased revenue from oil, together with increased tanker rates, will probably result in off-shore crude prices which will no longer be considered "cheap". The completion date of the Trans Alaska Pipeline System also remains in doubt. The implications of these developments will be far-reaching, but they suggest a promising future for the Canadian oil industry.

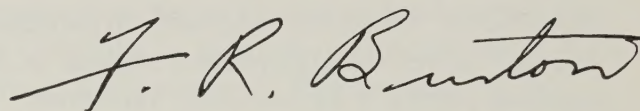
Canadian raw gas production during 1970 increased 14.3% over 1969 to a daily average of 6,501 MMcf. Gas sales increased 14.7% to 5,000 MMcf./day. Canadian markets took an average of 2,550 MMcf/day, an increase of 10.4%, while those in the U.S. increased their consumption to a daily average of 2,200 MMcf., up 18.1%. The remainder of the gas produced was used as fuel or lost in pipelining.

## TAX LEGISLATION

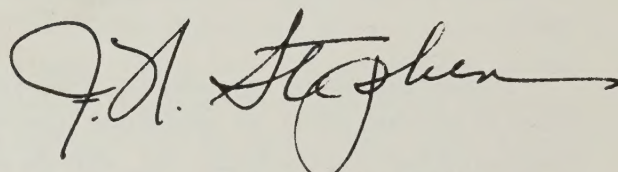
Representations on behalf of the oil industry have been made to the Canadian Government which, during 1971, is expected to introduce new Income Tax legislation. The strong bargaining position of the foreign producing countries has highlighted the uncertainties surrounding those

sources of oil. While the increase in Canadian crude oil prices should encourage exploration in Canada, we sincerely hope that the Canadian Government will not, in its proposed legislation, levy taxes at rates which will make the competitive position of Canadian companies even more unsatisfactory than at the present time.

On behalf of the Directors,

A handwritten signature in cursive script, reading "F. R. Burton".

President

A handwritten signature in cursive script, reading "J. A. Stephen".

Vice-President and  
General Manager

Toronto, Ontario  
March 1, 1971



# Notes on Operations

## EXPLORATION

### *Saskatchewan*

Because of diminishing oil production and increasing water from the Cretaceous sand reservoir, the two wells, Cdn-Sup Alminex Elrose 6-23-23-14 W3M and 6-30-23-14 W3M, were suspended. Since water was not generally present in the Viking in this area it was thought to be originating from an underlying formation. Cdn-Sup Alminex Elrose 16-22-23-14 W3M, a follow-up well, unfortunately proved that the Viking contained both oil and water and was abandoned as uneconomic.

### *Southern Alberta*

Due to the erratic nature of the Cretaceous Sunburst sand in the Manyberries area, Alminex joined in a farmout to Anderson Exploration Ltd. They drilled five Mississippian tests in order to earn 50% with Alminex retaining a 6.2% interest. Anderson et al Manyberries 10-35-4-5 W4M was abandoned and Anderson et al Manyberries 7-19-5-4 W4M was suspended, but Anderson et al Manyberries 10-5-5-4 W4M and 10-1-5-5 W4M are apparent oil discoveries and Anderson et al Manyberries 12-13-5-5 W4M appeared to be a successful development well on the east side of the Manyberries oil field. It is expected, following production testing, that additional development wells will be drilled in 1971 on other lands farmed out by Alminex in the same area. Samedan Conn. Craigower 10-32-4-4 W4M was a gas discovery, also in the Sunburst. Your Company retained a small overriding royalty.

### *Central Alberta*

Alminex participated 6.2% in Murphy et al Med. R. 10-34-38-5 W5M, a test of the Upper Devonian Leduc reef, located following a seismic program. The well failed to find reef and was abandoned. In another attempt to find reef production, this time in the Devonian Swan Hills member, Alminex shared 25% in the cost of drilling and abandonment of Home et al Goose R. 1-9-66-14 W5M, located immediately northwest of the Vir-

ginia Hills oil field, and earned a 12.5% interest in the east half of P. & N.G. Reservation 1511, comprising 14,080 acres. The developing Meekwap oil field, which produces from a carbonate reservoir near the top of the Upper Devonian Ireton shale, is located near the western part of Reservation 1511. A second farm-in was negotiated and Cdn. Sup. et al Meekwap 5-10-66-15 W5M was drilled on the reservation with Alminex having the same participation. This test, too, proved negative, but an option on still another part of the reservation remains outstanding and may be drilled shortly. Samedan Conn. Virg. Hills 10-28-65-13 W5M, although a test to the Swan Hills, was an attempt to find a similar, but separate, field to Meekwap. Alminex joined in farming out the lands on which the well was located, but the result was a dry hole. Dekalb et al Mahaska 7-27-57-12 W5M tried to find production in the Jurassic Nordegg and Suptst et al Timeu 11-23-65-3 W5M, whose primary objective was the Devonian Gilwood sand, were both located on farmouts from Alminex and proved unsuccessful.

### *Northern Alberta*

For putting up 33⅓% of the well's cost, Alminex earned a 12.5% interest in P. & N.G. Reservation 1475, comprising 30,720 acres. The well, Sierra Sneddon 7-17-83-10 W6M, failed to find production in the Cretaceous and Triassic objectives and was abandoned. Also abandoned was Abidonne et al Steen 1-15-122-21 W5M, located on a seismic feature with an objective in the Devonian Keg River. Your Company shared 33.3% in this well to earn 16.7% in the farmout lands. Alminex also joined in making three farmouts: Union Home Hospital 4-28-85-4 W5M, HS ARCO et al Wolverine 11-7-100-16 W5M and CDR et al Meander 5-12-115-23 W5M, all of which failed to find production.

### *Yukon and N.W.T.*

Canso et al Grumbler J-13 was located on Permit 4588 which Alminex farmed in. Your Company put up 25% of the cost of this well and earned a 12.5% interest in one-half the permit or 31,767 acres. The test failed to find production in its Devonian Slave Point and Keg River objectives. In an-



other farm-in of 38,301 lease acres, Alminex participated 25% in the drilling of Banner et al Little Growl N-11 and earned a 12.5% interest. The objective, the Devonian Presquile, was water-wet.

Efforts to drill Toltec Peel River YT N-77, in the Yukon, were abandoned. The well, located on a farmout from Alminex, did not test the Silurian carbonates or reach a depth of 6,000 ft., to which the farmee was committed and earned no interest.

Approximately 800 miles of aeromagnetic coverage was obtained by Murphy on Victoria Island's Prince Albert Peninsula. The interpretation, which was recently received from the contractor, is being studied.

#### *United Kingdom*

The two off-shore wells, Home Alminex CPOG 36/23-1 and Home Alminex CPOG 41/8-1 were abandoned in 1969, and the two licenses comprising 748,284 acres were surrendered back to the Crown in 1970.

## DEVELOPMENT

#### *Willey, Ontario (Alminex interest 3.9%)*

The new operator for the field has proposed to unitize and waterflood the Cambrian oil reservoir. Unitization should be finalized shortly with Alminex having a 3.9% interest. It is planned to begin waterflooding in 1971 and recovery is expected to increase.

#### *Manyberries, Alberta (Alminex interest 8.2%)*

Anderson et al Manyberries 12-13-5-5 W4M is located on lands Alminex farmed out adjacent to the Manyberries oil field. It succeeded in finding oil in the erratically developed Sunburst sand and although completed, is not yet on production.

#### *West Provost Viking Gas Unit, Alberta (Alminex interest 6.7%)*

In order to maintain the rate of gas production from this unit, the following wells were drilled:

Dalex Provost 7-9-35-8 W4M

Dalex Provost 10-7-36-7 W4M

Dalex Provost 10-4-36-8 W4M

Although none of these wells was completed

by year-end, the 10-7 and 7-9 wells are likely to make their contribution to unit production whereas 10-4 does not appear promising.

#### *Carstairs-Crossfield Plant, Alberta (Alminex interest 4.9%)*

The efforts to improve sulphur recovery efficiency to conform with government regulations have been unsuccessful. During 1971, construction of a new sulphur plant employing a different recovery technique will begin. There will be no return on this expenditure, but it is important that the plant owners show themselves capable of rectifying the present high sulphur emission.

#### *Medicine River, Alberta (Alminex interest 12.5%)*

HB Med. R. 4-17-39-4 W5M, located on the north side of the pool, was completed in the Cretaceous Glauconitic oil reservoir. At least one additional development well is planned for 1971. Protracted negotiations have not succeeded in breaking the deadlocks which are preventing unitization of this field. Waterflooding will be implemented to increase recovery, but it is likely to be on a competitive basis.

#### *Marten Hills South, Alberta (Alminex interest 21%)*

In order to provide additional productive capacity, Home Unit Marten H. 6-27-74-24 W4M, adjacent to the plant, was drilled and completed in the Cretaceous Wabiskaw sand.

## OIL PRODUCTION

For a variety of reasons, oil exports into Districts I, II and IV are expected to continue to accelerate, and, in the absence of significant oil discoveries in western Canada, these additional exports will originate for the most part from high reserve fields still having shut-in capacity. Alminex has interests in several such fields, i.e. Swan Hills, Virginia Hills and Mitsue, etc. In each case, in-depth engineering studies are being undertaken to determine the best methods of increasing production. Significant capital expenditures have already been made in order to raise productivity to present levels, but 1971 will see even more intensive efforts and high capital costs to raise production.



## Reserves

The following table shows the Company's estimated proven and probable reserves of oil, natural gas, natural gas liquids and sulphur as of December 31, 1970, and for comparison those of December 31, 1969.

	Dec. 31, 1970	Dec. 31, 1969		Dec. 31, 1970	Dec. 31, 1969
<b>CRUDE OIL RESERVES</b> (Millions of Barrels)			<b>NATURAL GAS</b> (Billions of Cubic Feet)		
Proven Reserves . . . .	37.18	38.43	Proven Reserves . . . .	167.60	166.54
Probable Reserves . . .	6.63	7.05	Probable Reserves . .	10.37	10.75
<b>NATURAL GAS LIQUIDS</b> (Millions of Barrels)			<b>SULPHUR</b> (Thousands of Long Tons)		
Proven Reserves . . . .	3.98	4.04	Proven Reserves . . . .	217	228
Probable Reserves . .	1.13	1.25	Probable Reserves . .	15	15

## Land

The following table summarizes Alminex Limited land holdings under reservation and lease categories as to gross and net acres, as of December 31, 1970.

	Reservations		Leases		Totals	
	Gross	Net	Gross	Net	Gross	Net
Alberta . . . . .	212,256	28,771	1,468,330	293,565	1,680,586	322,336
Saskatchewan and Manitoba . . . . .	76,800	14,813	173,524	33,815	250,324	48,628
British Columbia . . . . .	—	—	56,041	4,268	56,041	4,268
Ontario . . . . .	—	—	20,412	4,083	20,412	4,083
Yukon and N.W.T. . . . .	1,647,729	869,742	270,785	38,518	1,918,514	908,260
Arctic Islands . . . . .	7,342,362	5,653,564	—	—	7,342,362	5,653,564
	<u>9,279,147</u>	<u>6,566,890</u>	<u>1,989,092</u>	<u>374,249</u>	<u>11,268,239</u>	<u>6,941,139</u>

The decrease in gross and net acreage from 1969 is primarily due to the surrender of the North Sea (U.K.) Permits.

## 1970 Drilling Record

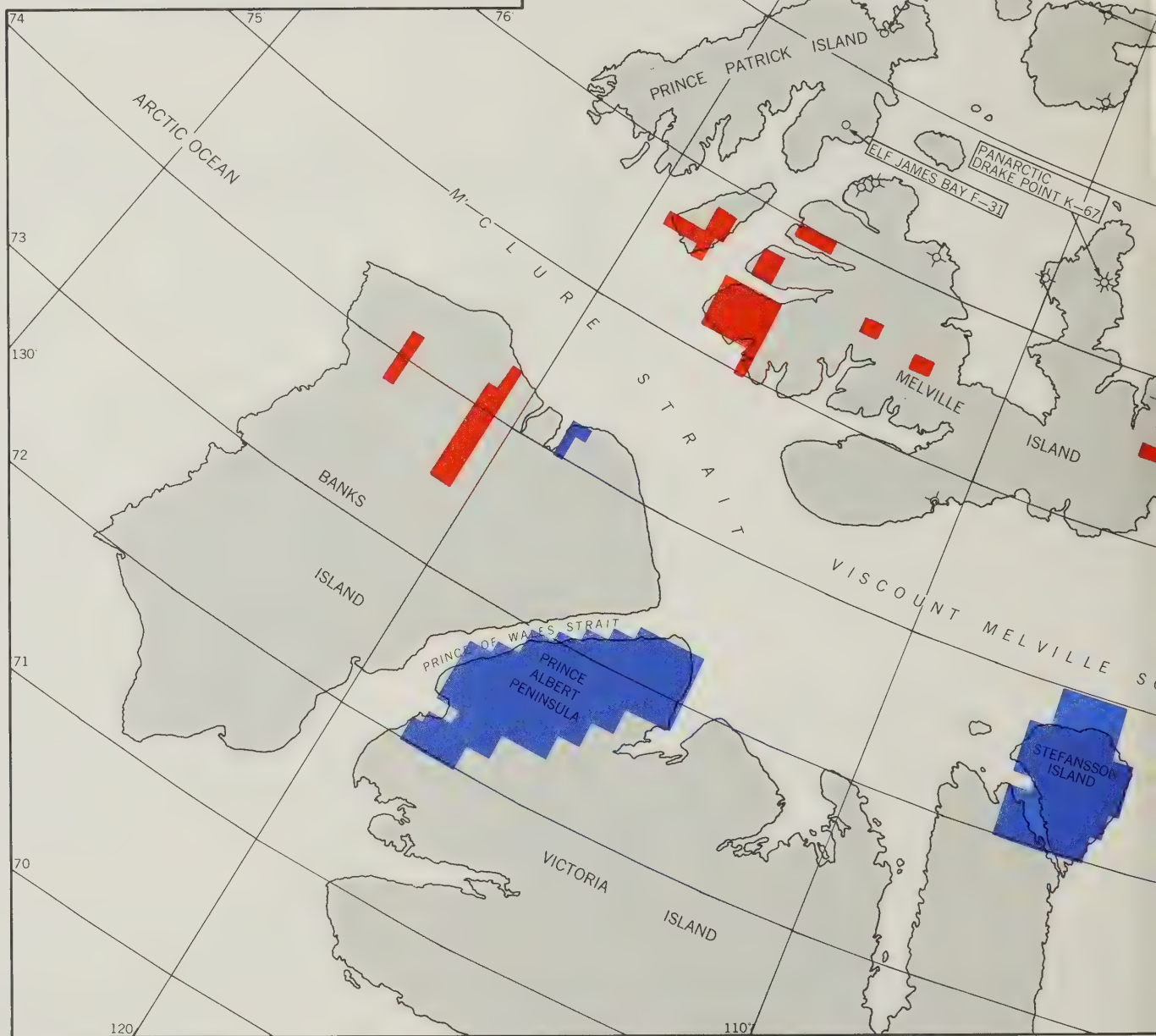
### Exploratory Wells (Gross)

	Dry Holes	Oil Disc.	Gas Disc.	Susp.
Saskatchewan . . . . .	1	—	—	—
Alberta: Southern . . .	1	2	1	1
Central . . . . .	7	—	—	—
Northern . . . . .	5	—	—	—
Northwest Territories	2	—	—	—
Yukon . . . . .	1	—	—	—
	<u>17</u>	<u>2</u>	<u>1</u>	<u>1</u>

### Development Wells (Gross)

	Dry Holes	Oil Wells	Gas Wells
<b>Alberta:</b>			
Manyberries	—	1	—
West Provost	—	—	3
Medicine River	—	1	—
House Mountain	—	1	—
Marten Hills South	—	—	1
	<u>—</u>	<u>3</u>	<u>4</u>



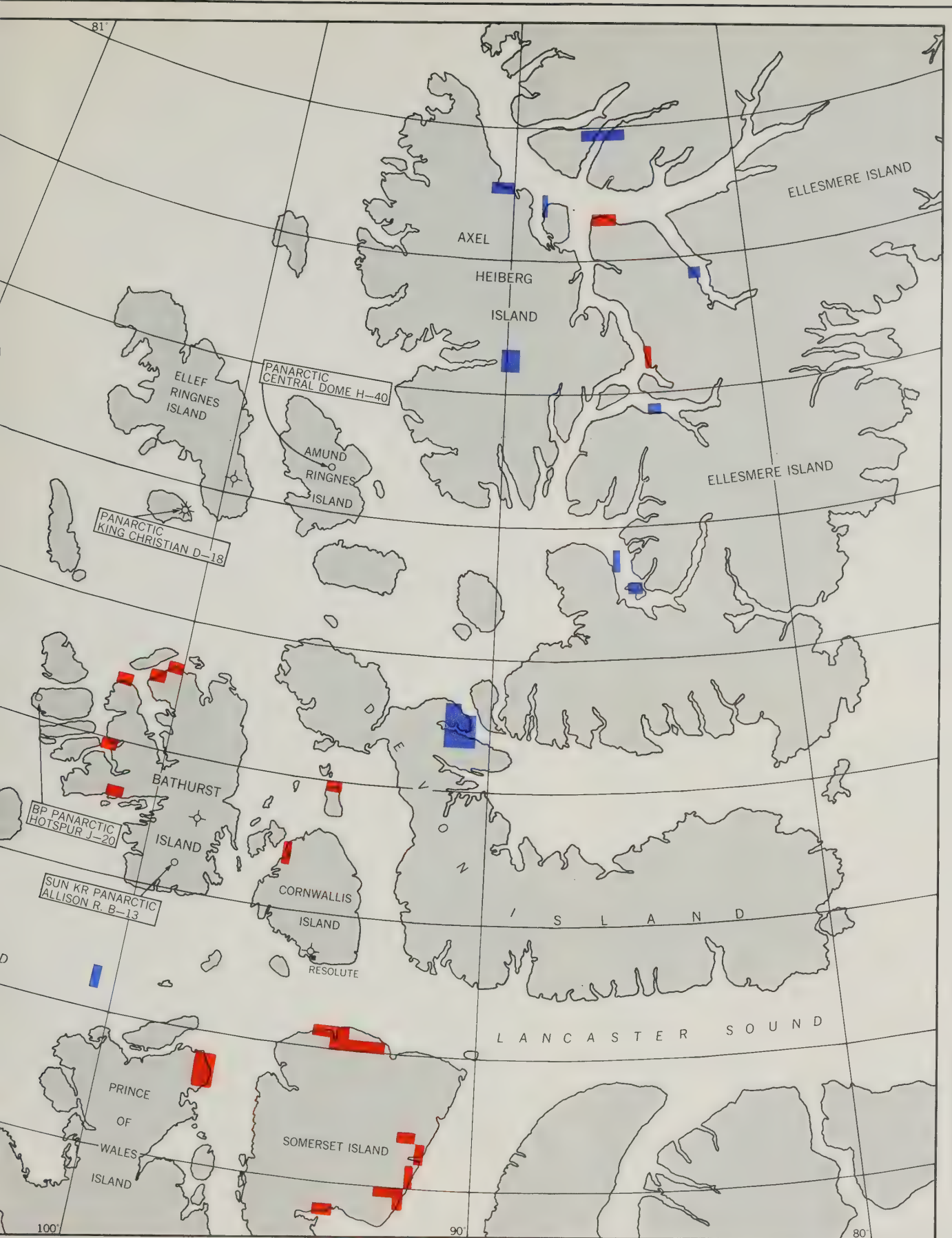



ALMINEX LIMITED


ARCTIC ISLANDS  
ACREAGE HOLDINGS

- LOCATION OR DRILLING
- ★ GAS WELL
- ◇ DRY HOLE

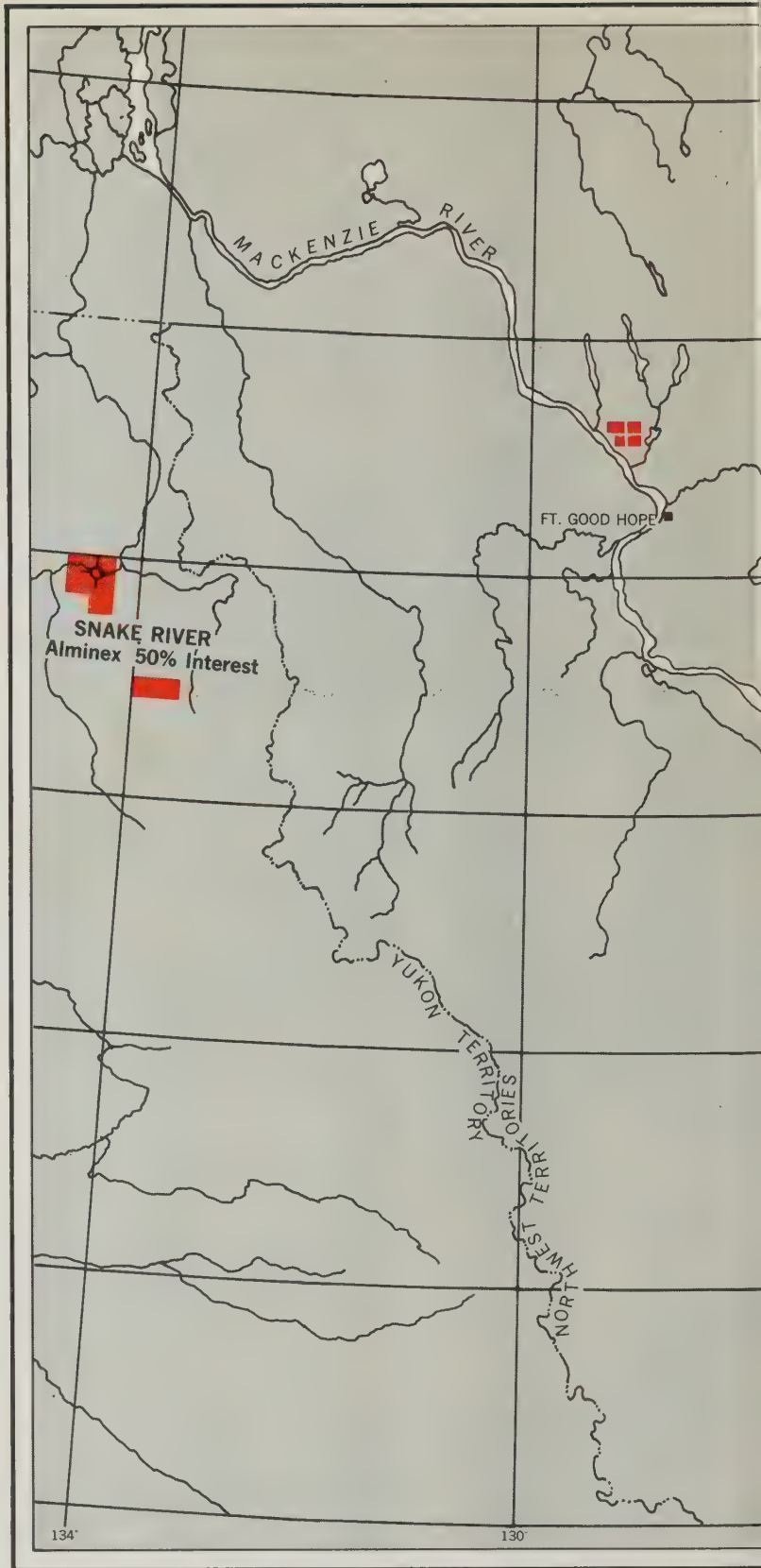
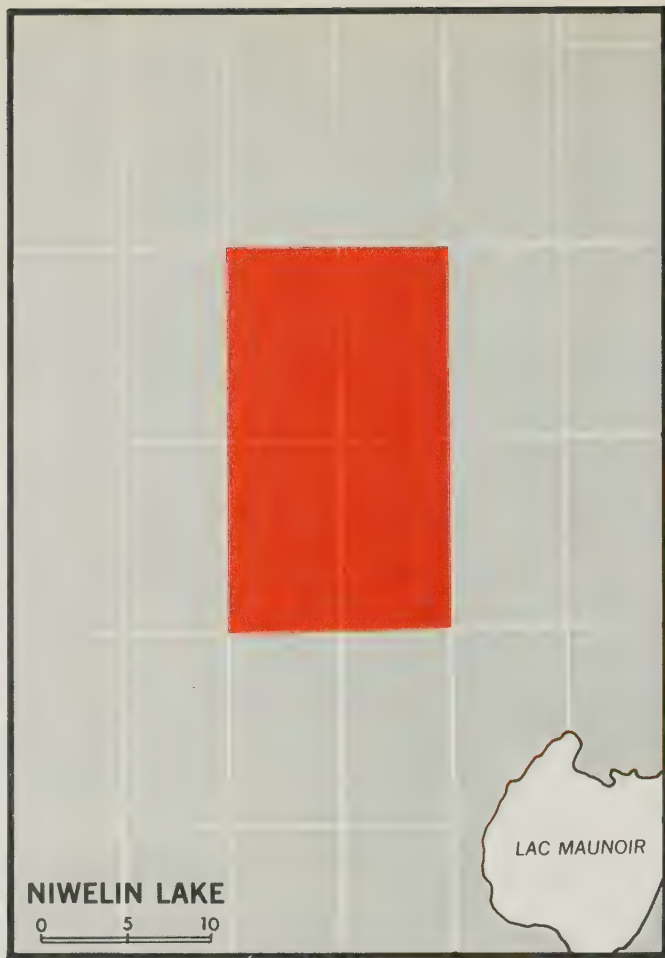




 ALMINEX ACREAGE —  
MURPHY FARMOUT

 ALMINEX ACREAGE —  
PANARCTIC FARMOUT

25 0 25 50 75  
Scale in Miles

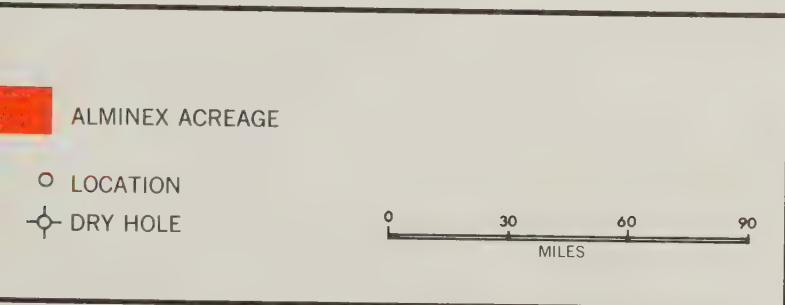
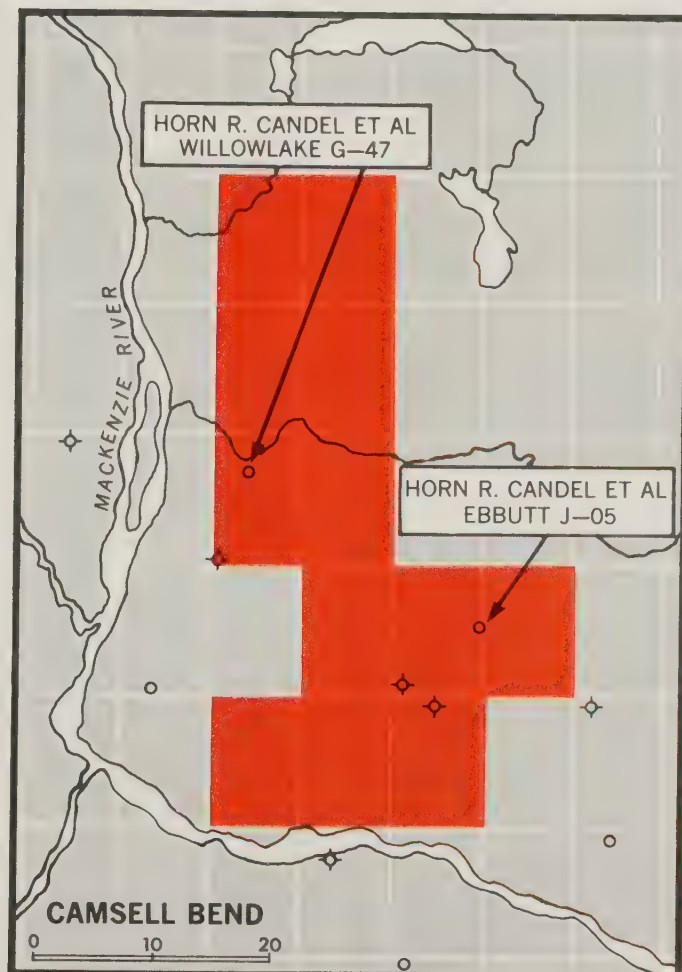
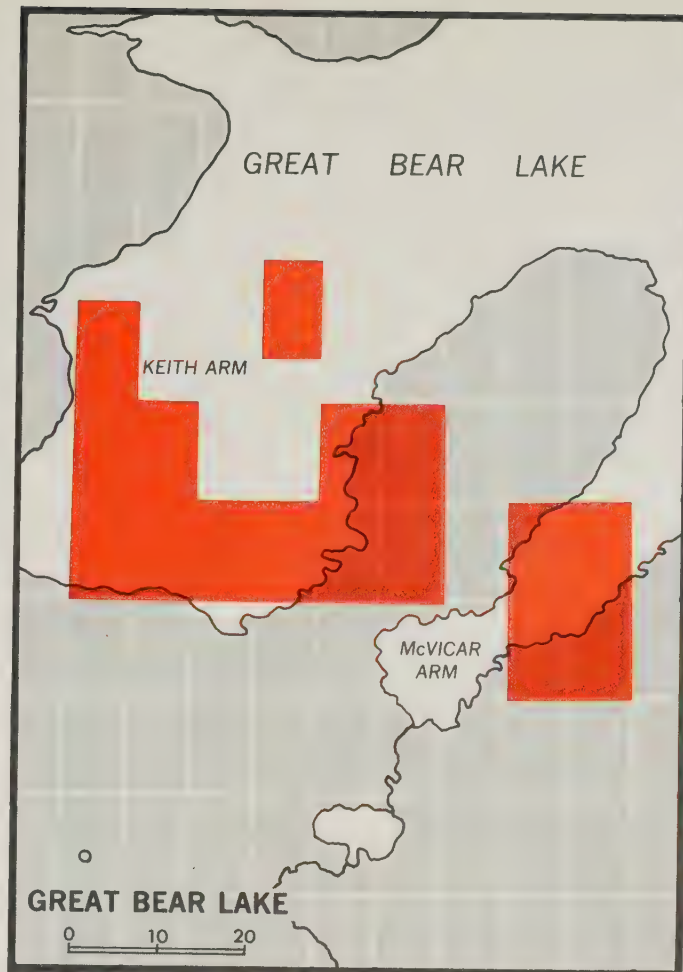
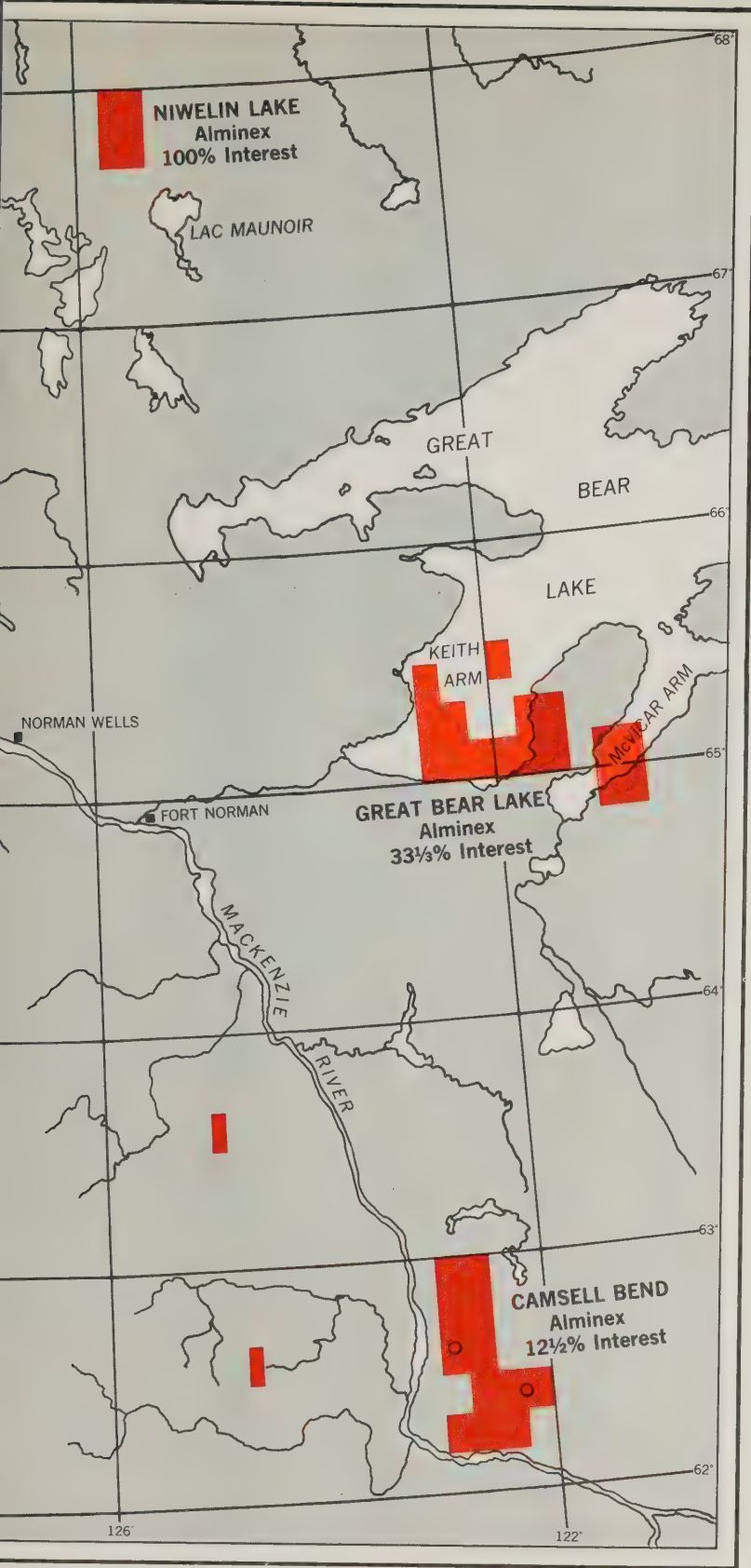


ALMINEX LIMITED

ACREAGE HOLDINGS

YUKON AND NORTHWEST TERRITORIES





## Producing Interests:

### OIL

#### UNITIZED FIELDS

	UNIT INTEREST	PRODUCTION	
	%	1970	1969
(Barrels — after royalty)			
<b>Alberta</b>			
Swan Hills Unit #1	5.10	665,122	575,742
Virginia Hills Unit #1	3.82	171,368	146,696
Mitsue Gilwood Sand Unit #1	1.12	111,269	90,132
Inverness Unit #1	7.43	108,542	127,067
Harmattan-Elkton Unit #1	8.81	108,510	106,516
North Pembina Cardium Unit #1	0.42	34,822	28,433
Harmattan East Unit #1	1.17	20,780	16,531
Westward Ho Unit #1	7.65	17,224	19,235
Crossfield Cardium Unit #1	7.80	15,686	16,555
Freeman Unit #1	5.78	8,068	8,005
House Mountain Unit #4	1.68	4,807	4,895
Sundre Unit #1	0.21	1,684	1,398
Pembina Cardium Unit #3	1.88	1,049	1,118

#### NON-UNITIZED FIELDS

	WELLS			
	Gross	Net		
<b>Alberta</b>				
Pembina	21	1.88	37,230	28,819
Erskine	21	2.63	11,777	14,056
Medicine River	4	0.50	3,734	2,534
Stettler	1	0.13	1,437	1,348
Other Non-Unit Interests	—	—	829	339

#### Saskatchewan

Browning-Clarilaw	5	1.25	11,199	10,831
Midale South	1	0.40	7,324	7,843
Others	—	—	348	—

#### Ontario

Wiley-Dunwich	8	0.68	3,038	3,922
<b>TOTAL</b>	<b>61</b>	<b>7.47</b>	<b>1,345,847</b>	<b>1,212,015</b>
Daily Average			3,687	3,321



# GAS & NATURAL GAS LIQUIDS

## UNITIZED FIELDS

UNIT INTEREST  
%

GAS PRODUCTION

NGL PRODUCTION

### Alberta

		1970 (MMcf. — after royalty)	1969 (MMcf. — after royalty)	1970 (Bbls. — after royalty)	1969 (Bbls. — after royalty)
Carstairs Elkton Unit . . . . .	10.15	3,485.616	3,046.831	193,031	181,207
Marten Hills South Gas Unit #1 . . . . .	20.95	1,425.816	115.987	—	—
Bindloss Viking Sand Gas Unit . . . . .	7.97	1,007.549	1,040.574	—	—
Swan Hills-Virginia Hills Area . . . . .	—	348.201	369.024	—	—
Retlaw Unit #1 . . . . .	14.87	217.269	253.802	2,454	3,578
West Provost Viking Gas Unit . . . . .	6.66	167.192	140.679	104	11
Calgary Elkton Unit #1 . . . . .	0.40	150.234	137.314	5,111	4,576
Calgary Crossfield Unit #1 . . . . .	0.02				
Harmattan Leduc Unit #1 . . . . .	4.49	141.013	145.676	—	—
South Elkton Unit #1 . . . . .	11.74	97.770	137.296	2,763	3,708
Atlee-Buffalo-Jenner Unit . . . . .	7.38	36.559	54.465	—	—
Crossfield Turner Valley Unit #1 . . . . .	0.09	31.391	30.864	1,720	1,793
Erskine Gas Unit #1 . . . . .	2.79	22.608	22.475	—	—
Sylvan Lake Gas Unit #1 . . . . .	0.05	5.609	6.093	—	—
Harmattan-Elkton Unit #1 . . . . .	2.84	—	—	47,949	47,927
Harmattan East Unit #1 . . . . .	0.39	—	—	5,353	6,131

### Saskatchewan

Coleville Smiley Viking Sand Gas Unit . . . . .	0.26	18.542	18.418		
Hoosier Viking Sand Gas Unit . . . . .	0.25	7.861	8.104		

## NON-UNITIZED FIELDS

WELLS

### Alberta

	Gross	Net
Pendor . . . . .	6	0.90
Whitecourt . . . . .	4	0.28
Other non-unit Interests . . . . .	—	—
TOTAL . . . . .	10	1.18

## ROYALTY INTERESTS

TOTAL . . . . .	34.051	40.845		
Daily Average . . . . .	7,554.213	5,784.613	262,370	248,931
OIL + NATURAL GAS LIQUIDS	20.696	15.848	719	682
Daily Average . . . . .			4,406	4,003

## SULPHUR

PRODUCTION (Long Tons)

### Alberta

	1970	1969
Harmattan Leduc Unit #1 . . . . .	8,765	8,927
Carstairs-Crossfield . . . . .	724	608
Calgary Units . . . . .	146	138
TOTAL . . . . .	9,635	9,673

# ALMINEX

(Incorporated under

## BALANCE SHEET —

(with comparative figures)

### ASSETS

	<u>1970</u>	<u>1969</u>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 106,286	\$ 260,582
Term deposits, including accrued interest .....	1,180,293	—
Accounts receivable .....	461,240	347,587
Inventory, at lower of cost and replacement cost .....	69,292	41,908
Prepaid expenses .....	4,424	9,740
	<u>1,821,535</u>	<u>659,817</u>
<b>INVESTMENT IN SUBSIDIARY COMPANY (note 1):</b>		
Shares, at cost .....	302	302
Advances .....	—	250,124
	<u>302</u>	<u>250,426</u>
<b>OTHER ASSETS:</b>		
Investments, at cost		
Marketable (quoted market value 1970, \$12,085; 1969, \$12,367) .....	9,720	9,720
Other .....	8,481	8,481
Operating and performance deposits .....	154,109	252,159
Special refundable tax .....	—	15,399
	<u>172,310</u>	<u>285,759</u>
<b>PROPERTY, PLANT AND EQUIPMENT (note 2) .....</b>	<b>44,891,470</b>	<b>44,855,428</b>
Less accumulated depletion and depreciation .....	12,472,299	11,485,641
	<u>32,419,171</u>	<u>33,369,787</u>
	<u>\$34,413,318</u>	<u>\$34,565,789</u>

Approved by the Board

F. R. BURTON, *Director*

W. F. JAMES, *Director*



# L I M I T E D

(Incorporated under the laws of Canada)

DECEMBER 31, 1970

(as at December 31, 1969)

## LIABILITIES

	<u>1970</u>	<u>1969</u>
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities .....	\$ 69,667	\$ 95,115
Income tax payable .....	436,183	7,805
Due to affiliated company .....	—	75,954
Long-term debt due within one year .....	—	534,000
	<u>505,850</u>	<u>712,874</u>
PREPAYMENTS ON FUTURE GAS DELIVERIES (note 3) .....	<u>562,500</u>	<u>—</u>
LONG-TERM DEBT:		
Bank loans, secured .....	—	872,000
Less amount included in current liabilities .....	—	534,000
	<u>—</u>	<u>338,000</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (note 4):

Authorized		
10,000,000 Shares without par value		
Issued		
7,645,661 Shares .....	35,006,782	35,006,782
CONTRIBUTED SURPLUS .....	70,091	70,091
DEFICIT .....	( 1,731,905)	( 1,561,958)
	<u>33,344,968</u>	<u>33,514,915</u>
	<u>\$34,413,318</u>	<u>\$34,565,789</u>

### CONTINGENT LIABILITY (note 7)

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
ALMINEX LIMITED

We have examined the balance sheet of Alminex Limited as at December 31, 1970 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta  
February 12, 1971

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants

# ALMINEX LIMITED

## STATEMENT OF INCOME

Year ended December 31, 1970 (with comparative figures for 1969)

	1970	1969
REVENUE:		
Sale of gas and oil, less royalties	\$5,366,105	\$4,775,003
Investment and other income	70,199	15,029
	<u>5,436,304</u>	<u>4,790,032</u>
EXPENSES:		
Operating expenses	685,873	523,044
Administrative and general expenses	170,121	154,097
Exploratory drilling and dry hole costs	330,616	429,120
Geophysical and geological expenses (note 8)	87,556	265,972
Unproven property expense (note 8)	270,492	327,632
Interest on long-term debt	30,128	52,150
	<u>1,574,786</u>	<u>1,752,015</u>
Income before write-offs and income taxes	<u>3,861,518</u>	<u>3,038,017</u>
WRITE-OFFS:		
Property surrendered	23,479	22,670
Depletion	997,732	880,354
Depreciation	497,901	497,580
Advances to subsidiary company written-off (note 1)	212,504	—
	<u>1,731,616</u>	<u>1,400,604</u>
Income before income taxes	<u>2,129,902</u>	<u>1,637,413</u>
Income taxes (note 6)	<u>1,153,000</u>	<u>694,000</u>
NET INCOME FOR THE YEAR	<u>\$ 976,902</u>	<u>\$ 943,413</u>
Earnings per share	<u>\$ 13</u>	<u>\$ 12</u>

## STATEMENT OF DEFICIT

Year ended December 31, 1970 (with comparative figures for 1969)

	1970	1969
DEFICIT AT BEGINNING OF YEAR	\$1,561,958	\$1,587,892
Net income for the year	976,902	943,413
	<u>585,056</u>	<u>644,479</u>
Dividends paid	1,146,849	917,479
DEFICIT AT END OF YEAR	<u>\$1,731,905</u>	<u>\$1,561,958</u>



# ALMINEX LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970 (with comparative figures for 1969)

	1970	1969
<b>SOURCE OF FUNDS:</b>		
Income before write-offs and income taxes .....	\$3,861,518	\$3,038,017
Income taxes .....	<u>1,153,000</u>	<u>694,000</u>
	2,708,518	2,344,017
Prepayments on future gas deliveries .....	562,500	—
Increase in long-term debt .....	—	156,000
Decrease in other assets .....	113,449	14,190
Issue of shares .....	—	6,675
Decrease in advances to subsidiary company .....	<u>37,620</u>	<u>—</u>
	<u>3,422,087</u>	<u>2,520,882</u>
<b>APPLICATION OF FUNDS:</b>		
Acquisition of properties (net) .....	22,038	259,214
Development of proven properties .....	51,604	267,679
Additions to plant and equipment (net) .....	<u>494,854</u>	<u>655,561</u>
	568,496	1,182,454
Decrease in long-term debt .....	338,000	—
Dividends paid .....	1,146,849	917,479
Advances to subsidiary company .....	<u>—</u>	<u>45,995</u>
	<u>2,053,345</u>	<u>2,145,928</u>
<b>INCREASE IN WORKING CAPITAL .....</b>	<u>1,368,742</u>	<u>374,954</u>
<b>WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR:</b>		
As previously reported .....	93,234	(281,720)
Reclassification of investments .....	( 9,650)	( 9,650)
Reclassification of operating deposits .....	<u>(136,641)</u>	<u>(136,641)</u>
As restated .....	<u>( 53,057)</u>	<u>(428,011)</u>
<b>WORKING CAPITAL (DEFICIENCY) AT END OF YEAR .....</b>	<u>\$1,315,685</u>	<u>\$ ( 53,057)</u>



# ALMINEX LIMITED

## Notes to Financial Statements

Year ended December 31, 1970

### 1. Investment in subsidiary company:

The accounts of Alminex (U.K.) Limited, a wholly-owned subsidiary which participated in a joint exploration program in the North Sea, have not been consolidated in the financial statements. The subsidiary was in the exploration stage and had no profit or loss to December 31, 1970. The subsidiary abandoned its permits during 1970 and advances to it (\$212,504) have been written-off.

### 2. Property, plant and equipment:

		1970		1969
	Cost	Accumulated depletion and depreciation	Net	Net
Proven properties, including development . . . . .	\$37,778,937	\$ 8,580,000	\$29,198,937	\$30,144,865
Unproven properties . . . . .	1,315,070	—	1,315,070	1,316,711
Plant and equipment . . . . .	5,797,463	3,892,299	1,905,164	1,908,211
	<u>\$44,891,470</u>	<u>\$12,472,299</u>	<u>\$32,419,171</u>	<u>\$33,369,787</u>

The company's accounting practice is to transfer total property costs of an area from unproven to proven properties when production commences. Proven property costs, including the costs of drilling productive wells, are depleted on a unit of production method based on the total of estimated proven and probable reserves of oil and gas.

Property carrying charges, cost of dry holes drilled and exploration expenses are charged against income as incurred. Unproven property costs are charged to income when the properties are surrendered.

Depreciation is provided on the diminishing balance method at maximum rates permissible under the Canadian Income Tax Act.

### 3. Prepayments on future gas deliveries:

Under gas purchase contracts in 1970, the company committed its gas reserves in two fields and received \$562,500 in prepayment for future deliveries. The deferred credit will be taken into income as deliveries are made.

### 4. Capital stock:

At December 31, 1970, there were outstanding options to employees to purchase a total of 17,000 shares at \$4.45 per share (exercisable cumulatively in five equal instalments to December 31, 1973).

### 5. Remuneration to directors:

Remuneration for the year to directors holding positions as officers or employees amounted to \$60,000 (\$55,000 in 1969). No directors' fees as such were paid in 1970 or 1969.

### 6. Income taxes:

Under the provisions of the Canadian Income Tax Act property and development expenditures are deductible in arriving at taxable income. Any such expenditures not deducted in one year may be carried forward to be applied against future income. All such available costs have been deducted for income tax purposes, except approximately \$50,000 which may be deducted from future income from property acquired from a predecessor company.

The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. The company, however, in common with many other companies in the oil and gas industry in Canada, believes that tax allocation in respect of property and development costs is not appropriate, and this position is accepted by accounting authorities outside Canada.

If the tax allocation basis in respect of excess claims for property and development costs had been followed in current and prior years, net income would have been increased by approximately \$53,000 in 1970, decreased by approximately \$114,000 in 1969 and the cumulative amount of deferred tax credits to December 31, 1970 would have been approximately \$2,534,000.

### 7. Contingent liability:

The company has deposited with the Government of Canada non-interest bearing demand notes of \$1,327,831 as deposits in respect of work obligations on properties. Under the terms of a farmout agreement in 1970 approximately \$1,060,000 of these notes are to be replaced by notes of the farmee.

### 8. Expenses recovered:

During 1970 geological and geophysical expenses and unproven property expense have been reduced as a result of recoveries under a farmout agreement.

### 9. Reclassification of comparative figures:

The 1969 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1970.

I omitted to mention fees as the profit figures are unchanged.





